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Remarks before the US China Economic & Security Review Commission Panel

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Chairman Bartholomew and Vice Chairman Blumenthal: First of all, I want to thank you for allowing me to be here again and to thank you for what you do as an organization to help our country. It has been almost two years since I last spoke before your Commission formally. Unfortunately, those remarks were not as optimistic as I would have liked them to be and yet upon rereading them they were probably more optimistic than the actual facts warranted. I hate to report to you that little has transpired that would allow me to make them more optimistic today. I offered an analogy of how the prominence of China manifested itself to the world much like the Hollywood shark splashed upon the scene in the movie Jaws. We were awed to say the least. Yet unlike the sheriff in Jaws we continue to toss bait off the rear of our ship of state even though we have now seen the magnitude of this giant entity, being content to hope he will befriend us and not use his growing power to hurt us. I pray we are not wrong.

You would think by now we would be shocked into different courses of action but I see little evidence that we have been. The only thing that surprises me is that our government continues to be surprised.

The question America faces now is what catalyst, what new revelation could emerge, that will finally drive America's leaders to wake up. This morning, in the brief time I have, I want to walk through five circumstances in which China's actions seem to have failed to significantly change the mindset of our government. The question we have before us is what will wake us up?

Will it wake us up when our own Department of Defense does an about-face on China's military intentions?

It has not in the past. In 2003, the Department of Defense reported in its PRC Military Power Report: "While continuing to research and discuss possibilities, China appears to have set aside indefinitely plans to acquire an aircraft carrier."

In the 2005 PRC report, the DoD would state that "China does not appear to have broadened its concept of operations for anti-access and sea denial to encompass sea control in waters beyond Taiwan and its immediate periphery."

Less than one year later, the Department of Defense would drastically change course reporting in its 2006 PRC Military Power Report that "there were indications last year that China plans to organize a combat air wing for a future aircraft carrier."

China's action and words have been consistent with this latest analysis. Last year the Chinese were spotted at an air show in Moscow scouting planes that could only be used on aircraft carriers and only a month ago, President Hu would send a call to a meeting of the delegates

to the Communist Party, urging the building of a powerful navy prepared “at any time” for military struggle.

Will America’s leaders wake up when we find that a Chinese sub is stalking a US carrier?

Clearly, the answer was no. In November, America was shocked to discover that a Chinese submarine had stalked a U.S. aircraft carrier battle group in the Pacific and surfaced within firing range of the U.S.S. Kitty Hawk before being detected.

And yet, we continue down a path upon which the United States’ current shipbuilding plan will result in a force structure below the minimum 48 submarine requirement for 14 years beginning in 2018, reaching a low of 40 in 2028-29.

And while we decrease the number of our subs, the Chinese plan to build 17 new diesel-powered and three new nuclear-powered submarines by the end of the decade, allowing them to expand their sphere of influence into the Pacific and beyond. China will soon have *more* attack submarines than the United States with the addition of four Russian Kilo-class subs. This clearly demonstrates their desire to have a “blue water” capability. Within only about a decade the United States will find itself out of position of maintaining even a moderate risk capability in its submarine strength, while China will face us in its strongest numerical and strategic position yet.

Will America choose to take a different course when we see China modeling its military aggression towards the United States in sophisticated computer simulation?

This has not yet been the catalyst. I recently had the opportunity to view a highly sophisticated computer simulation of a Chinese aerial attack on a U.S. carrier in the Pacific Ocean. The quality and design of that simulation rivals that of many simulations I have seen that are run by our own military. The problem is this simulation was part of a public website in Chinese that allowed thousands of registered gamers to compete in virtual scenarios against U.S. assets. The assets were depicted with remarkable accuracy down to the markings on the aircraft carriers and jet airplanes. It is not unreasonable to expect that the military is using similar models as they carry out their military modernization.

Will we change our course of action when America realizes that China’s sophisticated intelligence collection rivals that of any other foreign nation in its threat to the United States?

The answer again is no. In October and May of last year we watched twice as major US counterintelligence failures – one stretching back two decades – were exposed to the world. Last year in a House Judiciary hearing, I questioned the Attorney General on the significance of these and other Chinese spy rings. Without hesitation, the Attorney General definitively stated that China was the number one espionage threat against this country.

Finally, will America’s leaders rethink the direction our nation is taking when China secretly fires lasers to disable our own communications satellites? Will it make a

difference when they actually shoot down a satellite as they did for the first time less than a month ago?

Clearly, it has not. Only weeks ago we watched as China destroyed an orbiting weather satellite signaling to the world that it had the capability to intentionally destroy our communications networks and certainly had the capability to unintentionally damage our assets in space with the considerable debris left behind.

I understand the immense economic pressures that encourage us to pretend that these situations do not exist. I understand the enormous pressure to not embarrass the Chinese at the negotiating table. I understand the vast interests that prevent us from publicly addressing China's true intentions for fear of economic retaliation. And I understand the political and military incentive to hope China will not be a threat as we worry about Iraq, Iran, and North Korea.

But you and I also understand that we cannot pretend any longer. You and I know that we desperately lack a comprehensive governmental plan to address our future relationship with China.

While U.S. exports to China have grown by 415 percent over the last 15 years, China's exports to the United States have grown by 1,600 percent. Today China holds the second largest amount of foreign US debt, or \$252 billion dollars, over 12% of all foreign investment in federal debt. And today China is stealing over \$62 billion in intellectual property, money that is being used to purchase the most sophisticated weaponry in the world.

I believe the critical solution to the problem is the creation of a National Strategic inter-agency staff to harness the collective energy and opportunities of our nation to prepare for the long-term impact of China's rising power and influence around the world. This cadre of senior agency staff would be trained in a common lexicon, perhaps at one of the war colleges, and would be tasked with developing, modeling, coordinating and evaluating complex operations that cross agency lines.

Until America harnesses its collective strategic assets we will not truly be able to see the whole picture of our relationship with China. And, indeed, two years from now we will find ourselves with more powerful examples of how we have allowed America to be surprised by China and her intentions.

Thank you for your time, and again thank you for creating and maintaining the dialogue which may be the catalyst we need to birth a comprehensive strategy to deal with this new giant swimming in world waters.